

Hanford Site Investment Contract Fund

Who Should Invest

- Investors seeking interest income and a stable share price.
- Investors with a short-term investment horizon (less than five years).
- Long-term investors seeking a fixed income investment to balance the risks of a portfolio containing stocks.

Who Should Not Invest

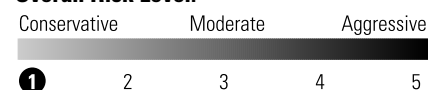
- Investors seeking long-term growth of capital.

Assets (in millions): \$215

Net Yield (SEC): 4.73%

Inception: March 31, 1995

Overall Risk Level:



Investment Objective

The Hanford Site Investment Fund seeks to provide high current and stable income, while maintaining a stable share value of \$1.

Investment Strategy

The fund invests primarily in investment contracts backed by high-quality fixed income securities, and in investment contracts issued directly by insurance companies, banks or other financial institutions.

The fund achieves its objective by diversifying among high credit-quality investments and contracts which are structured to smooth market gains and losses over time. The two broad categories of investment contracts, traditional and synthetic, are discussed in the glossary of investment terms.

Total Returns for Periods Ended June 30, 2004*

	Year to Date	1 Year	3 Years	5 Years	Since Inception
Hanford Site Investment Contract Fund	2.33%	4.86%	5.41%	5.83%	6.29%

*Figures for periods of less than one year are cumulative returns. All other figures represent average annual returns.

Note: Yield and short-term total return information has been provided as a service to our investors. Past performance—and especially short-term past performance—cannot be used to predict future returns.

Vanguard will assume investment management of the Hanford Site Investment Contract Fund effective April 8, 2004.

Hanford Site Investment Contract Fund

Largest Credit Exposures

As of June 30, 2004

Principal Life Insurance	12.8%
Travelers	11.9
GE Life	10.1
Metropolitan Life	10.0
New York Life	7.3

Guidelines for Investment

Investing in the Fund: By investing in the Hanford Site Investment Contract Fund, you are agreeing to limitations imposed by issuers of investment contracts and Vanguard. Generally, transfers from the fund into short-term bond and money market funds are not permitted. Excessive transfers are not permitted.

Please note: The guidelines for investment apply only to clients that have additional short-term bond and/or money market investment options in their plan. These limitations are explained further below.

Transfers Into Other Funds: The money you have in the Hanford Site Investment Contract Fund can be transferred to a stock, balanced, or bond fund with an average maturity greater than four years as often as your plan allows. However, once the money is transferred into such a fund, it must remain there for 90 days before you can transfer it into a shorter-term bond or money market fund. You can always transfer the money back into the Hanford Site Investment Contract Fund, even if you transferred money out within the last 90 days.

Transfer Privilege: Excessive transfers can disrupt management of a fund and increase the fund's cost for all shareholders. Therefore you are permitted no more than four substantive "round trips" through the Hanford Site Investment Contract Fund during any 12-month period. A "round-trip" is a redemption out of the Hanford Site Investment Contract Fund (by any means) followed by a purchase back into the Hanford Site Investment Contract Fund (by any means). "Substantive" means a dollar amount that Vanguard determines, in its sole discretion, could adversely affect management of the fund.

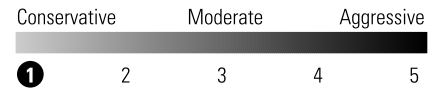
A Few Words About Risk

Although a stable value fund is designed as a low-risk investment, you could still lose money by investing in it. The fund's performance could be hurt by the following factors, which are described in the Glossary:

- Inflation Risk • Income Risk
- Market Risk • Credit Risk

An investment in a stable value fund by itself does not constitute a balanced investment program. Although Vanguard selects only highly rated investments for the fund, the contracts

Overall Risk Level:



held by the Hanford Site Investment Contract Fund are not guaranteed by the U.S. government, Vanguard, the trustee, or the Plan. Although the fund will seek to invest with a diversified selection of contract issuers, the number of qualifying insurance companies and banks may fluctuate over time.

Glossary

Average Quality: An indicator of credit risk, this figure is the average of the credit ratings assigned to the fund holdings by credit rating agencies. Agencies assign credit ratings after appraising an issuer's ability to meet its obligations. Quality is graded on a scale, with AAA/Aaa indicating the most credit-worthy issuers.

Book Value: The value of deposits, plus accumulated interest, minus withdrawals.

Credit Risk: The chance that an issuer will fail to pay interest and principal in a timely manner. Credit risk should be low for the fund because it invests mainly in investments that are considered high-quality.

Expenses: The costs of running a fund, expressed as a percentage of the fund's assets.

Income Risk: The possibility that a fund's income will decline as a result of falling interest rates. Investments are generally made for terms of at least two to five years, on average, producing a rate of fund income that will be higher than that earned on shorter-maturity money market funds. But because it is influenced by average interest rates over a period of several years, the fund's income yield may remain above or stay below current market yields during some time periods. Income risk will be moderately high for the fund.

Inflation Risk: The chance that fund returns will not keep pace with the cost of living.

Market Risk: The chance that the fund's price per share will change as a result of movements in market interest rates, resulting in gains or losses on investments made in the fund. The risk is minimized by investing primarily in investment contracts that enable the fund, under present accounting standards,

to value its assets at book value. Most often associated with stock mutual funds, short-term market risk is minimal. The chance that you will lose any part of your original investment is low.

Synthetic Investment Contracts: Individually negotiated investments, these contracts are supported by a portfolio of high-quality fixed income assets and mutual funds as well as the financial strength of the issuer. Returns earned on the contracts vary with the performance of the underlying fixed income assets and mutual funds. These assets back the contract and are owned by the trustee (e.g., Vanguard Fiduciary Trust Company) on behalf of the plan. These contracts are also called "alternative investment contracts."

Total Return: The change in the value of your investment, plus any income from interest or dividends. It is the standard measure of an investment fund's performance.

Traditional Investment Contracts: Separately negotiated investments, the terms of which specify liquidity, yield, interest payments, and maturity (return of principal). These contracts are direct obligations of the issuing companies and are backed only by the financial strength of these companies.

Vanguard: The Vanguard Group, Inc.

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Note: An investment in the fund is neither insured nor guaranteed by the U.S. government. There is no assurance that the fund will be able to maintain a stable net asset value of \$1 a share, and it is possible to lose money by investing in the fund.

Performance figures include the reinvestment of all dividends and any capital gains distribution. All returns are net of expenses. Historical total return figures reflect past performance, which is no guarantee of future results.

The Hanford Site Investment Contract Fund is not a mutual fund. It is a separately managed investment fund available only to tax-qualified plans and their eligible participants. For information on the fund's operations, expenses, fees and investment policies, contact Vanguard Participant Services, P.O. Box 2900, Valley Forge, PA 19482.